PSC NO: 1 GAS LEAF: 159.3
COMPANY: KEYSPAN GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 0
INITIAL EFFECTIVE DATE: 11/01/06 SUPERSEDING REVISION:
STAMPS:

SERVICE CLASSIFICATION NO. 8
Seller Service (continued)

Capacity Release Option - Tier 3 – Virtual Storage

The Marketer's Tier 3 Maximum Daily Quantity ("Tier 3 MDQ") each winter month will equal the Marketer's incremental load requirements each month. Incremental load requirements, in this context, mean the delivery volume that exceeds the sum of the Marketer's Tier 1 Maximum Capacity Release Volume and maximum available Tier 2 MDQ. The Company will offer an optional Tier 3 service in the winter months of December through March, inclusive in the form of a virtual storage service. Tier 3 service is available only to those Marketers that have elected to take Tier 1 capacity release.

If a Marketer chooses to take a quantity of Tier 3 MDQ that is less than its maximum available Tier 3 MDQ, then the Marketer's Tier 3 service election, expressed as a percent of its Tier 3 MDQ, will become that Marketer's cap, i.e., its Tier 3 MDQ for the following three years.

The price of the Tier 3 virtual storage will be computed assuming domestic US gas supply is injected on a pro-rata basis into each of the Company's market area storage services throughout the summer injection season (May 1st to Oct 31st). The Company will compute the weighted average inventory price of gas injected into Tier 3 virtual storage by taking the sum of 1) the gas commodity price as represented by the NYMEX contract price for the month; 2) the weighted average published basis from the Henry Hub to the liquid trading points in the US that the Company relies on to purchase storage supplies; 3) the weighted average variable transportation costs and fuel losses to transport gas from the receipt points on each of the Company's domestic pipeline transportation contracts to the storage injection points, and 4) the weighted average variable injection costs and fuel losses to inject gas into each of the Company's storage services.

The Company requires no payment from the Marketers prior to the start of the winter season for the gas injected into Tier 3 virtual storage. The Company will compute the delivered cost of the virtual storage service billed the Marketers by taking the sum of 1) the weighted average inventory price as of the end of the injection season; 2) the weighted average variable withdrawal costs and fuel losses to withdraw gas from each of the Company's storage services; 3) the weighted average variable transportation costs and fuel losses to transport storage gas on each of the Company's storage transportation contracts to the Company city gates; plus 4) the Company's unitized demand cost of its non-swing storage.

Marketers that elect to take virtual storage service from the Company and do not meet the creditworthiness guidelines (as defined in the Uniform Business Practices) will be required to prepay for the virtual storage service prior to the month of the sale. The prepayment must be made by wire transfer or ACH payment no later than two (2) business days prior to the last day of the month proceeding the month for which the virtual storage service is to be purchased. . The prepayment will be calculated by multiplying .9 and an estimate of the delivered cost of the virtual storage as described above. The prepayment amount will be trued up when actual costs are available and any adjustment will be made in the succeeding bill period.

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